

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 7758

DEPT OF DEFENSE

JCS

INFO USCINCSO

S E C R E T SAN SALVADOR 1253

E.O. 11652: GDS

TAGS: MASS, ES

SUBJECT: SECURITY

ASSISTANCE OBJECTIVES AND GUIDELINES FY 1977-81

REF: STATE 15489

USCINCSO FOR POLAD

1. IN ACCORDANCE WITH REFTEL INSTRUCTIONS, I HAVE CAREFULLY REVIEWED AND EVALUATED THE SECURITY ASSISTANCE PROGRAM OBJECTIVES DESCRIBED IN BOTH THE 1977-81 POM AND THE FY 1976-77 CASP FOR EL SALVADOR. AS I STATED IN MY OVERVIEW FOR THE CASP, I BELIEVE THAT THE STAFFING AND FUNDING LEVELS OF THE MILGP ARE "MODEST BUT ADEQUATE." I ALSO HAVE CONCLUDED THAT THE NEED FOR THIS MODEST PROGRAM, PROJECTED TO CONTINUE AT MORE OR LESS THE SAME LEVEL THROUGH 1981, IS, AND WILL CONTINUE TO BE, JUSTIFIED CHIEFLY ON POLITICAL GROUNDS. THE FY 1976-77 CASP CONTAINS THE COUNTRY TEAM'S BEST ANALYSIS OF THE POLITICAL ENVIRONMENT THAT WILL

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VOLVE IN EL SALVADOR OVER THE NEXT TWO

YDUK IN BOTH OF THE
MOST LIKELY SCENARIOS FORECAST IN THIS ANALYSIS, THE MILITARY
OFFICER CORPS WOULD MAINTAIN, IF NOT INCREASE, ITS PRESENT
IMPORTANT POLITICAL ROLE. THE CASP ANALYSIS OF PROBABLE
SCENARIOS THROUGH THE PRESIDENTIAL ELECTIONS OF 1977 ALSO LEADS
TO THE CONCLUSION THAT THE MILITARY WILL REMAIN A MAJOR
ACTOR IN DOMESTIC POLITICAL DEVELOPMENTS FOR THE FORESEEABLE
FUTURE.

2. TECHNICAL AND FMS CREDIT ASSISTANCE PROVIDED BY OUR MILITARY
MISSION TO THE HOST MILITARY IS ONE OF THE PRINCIPAL METHODS
BY WHICH WE MAINTAIN ACCESS TO AND STRENGTHEN OUR RELATIONSHIPS
WITH THIS KEY INSTITUTION. THE REINITIATION OF THE MAP
MATERIEL PROGRAM IN FY 74 HAS STIMULATED INTEREST IN US EQUIPMENT.
ALTHOUGH THIS SMALL AMOUNT OF MATERIEL IS JUST STARTING ARRIVE,
THE IMPACT IS FELT IN THE PREPARATION OF TRAINING PROGRAMS,
PURCHASE OF SPARE PARTS TO REBUILD OLD EQUIPMENT, AND ORGANIZATIONAL
CHANGES TO EFFECTIVELY EMPLOY THE MATERIEL. I BELIEVE THAT THE
PROJECTED MIX OF ASSISTANCE AS STATED IN THE POM IS REASONABLE
AND TAILORED TO THE ABSORPTIVE CAPACITY OF THE GOES. OUR
ASSISTANCE IN THE PAST HAS BEEN EFFECTIVE IN FURTHERING OVERALL
USG INTERESTS IN EL SALVADOR, AND I BELIEVE THAT THE CONTINUED
MODEST TRAINING/SALES PROGRAM PROJECTED FOR THE POM TIME FRAME
WILL CONTINUE TO ENHANCE OUR ABILITY TO ADVANCE OUR NATIONAL
INTERESTS.

3. FOREIGN PUBLIC ECONOMIC ASSISTANCE FOR EL SALVADOR DURING THE
PERIOD FY 1977-81 SHOULD AVERAGE ABOUT \$45 MILLION A YEAR. OF
THIS, WE ANTICIPATE USG (AID) TRANSFERS WILL ACCOUNT FOR SOME
\$4 MILLION. VENEZUELA (VENEZUELA FINANCIAL FUND), SHOULD
PROVIDE SOME \$15 MILLION AND AN AVERAGE \$5 MILLION
WILL COME FROM JAPAN (VIA THE EXPORT BANK FOR THE CUSCATLAN
AIRPORT). TRANSFERS FROM OTHER COUNTRIES WILL NOT BE SIGNIFICANT
AND WILL LIKELY BE CONCENTRATED IN TECHNICAL ASSISTANCE. THE
BALANCE WILL COME FROM THE INTERNATIONAL FINANCIAL INSTITUTIONS
(IFIS) - THE IDB, CABEL, IBRD, ETC. EL SALVADOR, FACING
PREVIOUSLY UNEXPERIENCED LARGE BALANCE OF PAYMENTS DEFICITS
CAUSED BY THE PETROLEUM AND OTHER COMMODITY PRICE INCREASES,
HAS RESORTED TO LARGE EXTERNAL BORROWINGS AT IFI AND COMMERCIAL
RATES. CY 1975 NET EXTERNAL INDEBTEDNESS INCREASED BY \$150

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MILLION, BUT OWING TO A MODEST EXTERNAL AND TOTAL PUBLIC
DEBT POSITION, THE COUNTRY'S DEBT SERVICE RATIO WAS ONLY 3.2
IN 1974 AND IS PROJECTED AT 5.3 FOR 1975, WHILE TOTAL PUBLIC
DEBT AS A PERCENT OF GDP REMAINS UNDER 15 PERCENT. THE COMPOSITION
OF THE EXTERNAL DEBT PORTFOLIO REMAINS SOFT, IN THAT THE BULK
OF BORROWINGS HAVE BEEN AT CONCESSIONAL RATES WITH FAVORABLE
GRACE PERIODS. THE VENEZUELAN ASSISTANCE RESULTS FROM THE
RECENTLY SIGNED PETROLEUM REBATE/LOAN AGREEMENT FOR THE 1975-

1980 PERIOD. THE JAPANESE LOAN FOR THE NEW AIRPORT, IS AT 4.5 PERCENT. THE 1973-1977 FIVE YEAR PLAN ENVISAGED PUBLIC SECTOR INVESTMENT AT A LEVEL OF \$70 MILLION ANNUALLY WITH SOME 54 PERCENT FINANCED EXTERNALLY. EROSION OF THE BALANCE OF PAYMENTS AND COST OVERRUNS DUE TO INFLATION AND PROJECT MODIFICATIONS HAVE INCREASED THE TARGET AND PERCENTAGE OF EXTERNAL RELIANCE. EL SALVADOR CAN FOLLOW THIS STRATEGY IN THE MEDIUM TERM BUT WILL BE SORELY PRESSED BY THE END OF THE PLANNING PERIOD UNLESS RELIEF IS OBTAINED IN THE FORM OF MORE RENUMERATIVE COMMODITY PRICES AND SUCCESSFUL INVESTMENT AND EMPLOYMENT PROGRAMS. GIVEN THAT CAVEAT, THE EMBASSY BELIEVES THAT EL SALVADOR CAN MAINTAIN ITS CREDIT AND MEET, IN THE MEDIUM TERM, ALL REPAYMENT OBLIGATIONS.

CAMPBELL

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